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Fourth progress report of the Board of Auditors on the implementation of the International Public Sector Accounting Standards

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly a letter dated 30 July 2014 from the Chair of the Board of Auditors transmitting the fourth and final progress report of the Board of Auditors on the implementation of the International Public Sector Accounting Standards as at 30 June 2014.

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Letter of transmittal

Letter dated 30 July 2014 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on progress in the implementation of the International Public Sector Accounting Standards in the United Nations, peacekeeping operations and funds and programmes as at 30 June 2014.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the United Kingdom
of Great Britain and Northern Ireland
Chair of the Board of Auditors

Fourth progress report of the Board of Auditors on the implementation of the International Public Sector Accounting Standards

Summary

1. In October 2010, the Advisory Committee on Administrative and Budgetary Questions recommended that the Board prepare an annual report on progress towards the implementation of the International Public Sector Accounting Standards (IPSAS) (see A/65/498).

2. In its resolution 60/283 of 7 July 2006, the General Assembly decided to approve the adoption of the accruals-based IPSAS for the presentation of the organization's financial statements. The International Public Sector Accounting Standards are independently developed standards written specifically for the public sector. They introduce full accruals accounting into United Nations entities, providing greater transparency in regard to the performance of those entities and enabling them to generate improved information for better management.

3. This fourth and final progress report presents findings on the extent to which entities are realizing benefits from the adoption of IPSAS, the current state of progress in its implementation in the United Nations and its peacekeeping operations and the current state of progress in the remaining entities going live in 2014. The Board has also followed up on progress in implementing its previous recommendations.

Key findings

Benefits realization at the entities that implemented the International Public Sector Accounting Standards in 2012 and the United Nations

4. **There is clear evidence that IPSAS has led to improved financial management processes.** While the speed and focus of improvement efforts varies across entities, there is clear evidence of increased rigour of monthly and year-end financial closure processes and of improvements in the availability and quality of financial information and the monitoring of such key financial processes and controls as the performance of bank reconciliations and asset verification. The United Nations Population Fund (UNFPA), notably, has automated its end-of-month financial processes, helping to focus the attention of management on the review and analysis of the financial information. This is a development the Board would encourage at all entities.

5. **To varying degrees, all entities have used the new information under IPSAS to enhance the frequency and quality of the financial information being provided to management. Information provided includes key performance indicators, financial ratios and the tracking of key account balances — for example, accounts payable and receivable — to better manage funding pledges from donors.** Practices vary, reflecting differing business priorities and needs, but all entities have plans in place to further enhance the reporting of financial information. For example, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) provides a monthly statement of financial

performance and statement of financial position to the Executive Director and senior management team, a practice that could be adopted at all entities. The next step for all entities is to use this new information to enhance decision-making and managerial oversight of operations; the Board will be looking for clear evidence of this in its future audits.

6. **There is less evidence that the new financial information is as yet being used outside of finance units to drive improvements in business functions, operations and the more cost-effective delivery of mandates.** One example, however, is the United Nations strategic capital review which is using new information on assets to propose a more cost-effective way of planning and prioritizing capital maintenance projects.

7. **Four entities have made notable investments in organizational financial management capacity and capability, and three have embarked on a more structured and formalized process of providing staff with internationally recognized International Public Sector Accounting Standards-based public financial management qualifications.** The United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and UNFPA have invested in developing staff knowledge, skills and competence in finance, accounting and operations, by investing in internationally recognized qualifications with an initial focus on prioritizing critical gaps in current capabilities in both finance and operational areas. This initiative could have wider application in other entities. Most entities have additional work to do to improve financial management capacity in their field office networks.

8. **There has been uneven progress in transforming the role of the finance functions across United Nations entities, but there is a growing need for finance functions to lead the drive towards improved financial management across the business as a whole, help managers to understand costs and facilitate more cost-effective delivery of mandates.** The Board, building on the opportunity provided by the implementation of IPSAS, previously encouraged the United Nations financial management community to develop a vision for system-wide good financial management and to establish plans to deliver the vision by way of a financial management transformation programme.

9. The increasing shift to ring-fenced voluntary funding, combined with the need to address ongoing fiscal constraints and deal with significant cost reduction initiatives, is forcing many entities to rethink their business delivery models and the way they plan and deliver their programmes. In turn, this will require greater insight into the costs of activities to inform and justify the levels of cost recovery required to maintain corporate capability to deliver mandates cost-effectively.

10. IPSAS is an important step towards better and more transparent information on costs. However, using the new information effectively will require enhanced financial management skills across the entire organization. The continuing financial pressures in the system reinforce the need for an enhanced role for the finance function to challenge and advise the business on all aspects of operational and programmatic delivery.

Progress on IPSAS adoption at the United Nations and its peacekeeping operations

11. **The implementation of IPSAS in the United Nations and its peacekeeping operations, while complex, is being well managed, with a strong focus at local, headquarters and senior management levels.** As a result, the United Nations should be well placed to produce first-time IPSAS-compliant financial statements for peacekeeping operations and subsequently for the United Nations itself. The policy framework, including arrangements to value peacekeeping inventory, is complete and appropriate; in addition, significant progress has been made in preparing guidance and training for staff in the field and in collecting and cleansing data for assets, which was the single biggest risk highlighted in the Board's previous report. The transitional implementation arrangements, however, involving the use of multiple enhanced legacy systems, as previously reported, increase the inherent risk of error being introduced through one of the systems.

12. **While significant progress has been made in preparing materially correct opening balances for peacekeeping missions, the opening balances were finalized four months later than planned.** The Board was presented with a consolidated position at the end of the audit, and this will be considered as part of the first full final audit of the IPSAS statements of peacekeeping operations in the third quarter of 2014. The Board, however, has not been able to provide assurance that in-year transactions and balances are being appropriately processed, accounted for and reported, although the Administration is aware of those issues and is working to resolve them. However, should any major unforeseen errors or issues arise before or during the dry run financial statements, very limited time, and potentially insufficient time, will be available to resolve them. While the methodology for developing an estimate for inventories has been agreed, the Board has yet to see the estimates for inventory in peacekeeping operations.

13. **The Board cannot as yet provide assurance over the control environment for the full consolidation process across the complex system architecture for the production of IPSAS financial statements for the United Nations since that work, at the time of the present report, was neither complete nor tested.** It is critical that the control environment be complete and tested by the third quarter of 2014.

14. Major as yet unresolved issues with financial transactions have emerged following the implementation of the new enterprise resource planning system in United Nations peacekeeping operations. At the time of the present report there are high volumes of open and unreconciled transactions in respect of bank reconciliations, accounts payable and payroll, potentially affecting the integrity of peacekeeping accounting and financial records, which may also indicate that key internal controls may have been inoperable throughout or for part of the financial year. The Board will conclude its consideration of this matter as part of its next audit of peacekeeping operations for the year ended 30 June 2014.

Progress on IPSAS adoption at other United Nations entities going live in 2014

15. **Considerable progress has been made by the 12 entities going live in 2014 in addressing the Board's previous concerns expressed in its second progress report** (A/67/168). While there can be no guarantee, the entities have good reason to

expect successful production of first-time IPSAS-compliant financial statements for the financial period ending 31 December 2014. Residual risks remain in finalizing data collection and staff training, particularly for those entities that have field networks and more complex asset arrangements; and 11 of the 12 entities face risks inherent in relying on the United Nations complex transitional arrangements for the production of financial statements. However, the risks are known and considered manageable. Greater progress in establishing and implementing benefits realization plans is required, but this is unsurprising given the current focus on practical implementation.

Overall conclusion

16. There is tangible progress on benefits realization within United Nations entities that have already implemented IPSAS, with evidence of the new information under IPSAS being used as an enabler for improved financial reporting to management and for improved financial management capability and processes. This is laying the foundations for greater transparency in relation to the costs of operations and supporting improved decision-making at all levels of management. Nonetheless, the real test will be whether the entities can translate the new information into measurable improvements in operations and the cost-effective delivery of mandates. This is where more progress is needed and where the Board will focus in its future audits at the entity level.

17. By the end of 2014 all United Nations system entities, including the United Nations and its funds and programmes, will have implemented IPSAS. The level of progress reflects the commitment and energy of the entities concerned and represents a major step towards the modernization of the United Nations system. All the entities that went live in 2012 received a second unqualified audit opinion, and the remaining entities going live in 2014 have made significant progress. Given the complexities of a highly federated organization and the challenges of a parallel roll-out of a new global enterprise resource planning system, the implementation of IPSAS in the United Nations and its peacekeeping operations is inherently risky. Nevertheless, the Board is confident that it sees strong managerial resolve to secure first-time IPSAS-compliant financial statements.

Recommendations

Benefits realization

18. The Board recommends that entities:

(a) **Take stock of the investments they are making in improved financial management capacity and capability and consider whether there is a need for a more structured and formalized approach, drawing on the lessons from UNDP, UNFPA and UNICEF investment in IPSAS-based qualifications in finance, accounting and operations;**

(b) **Building on the benefits plans and other improvements already under way, consider how the new information from the accounting framework can be used to drive improved longer-term and more strategic planning in important business functions, the United Nations strategic capital review being an example;**

19. The Board also recommends that:

(c) **The Secretary-General, in his role as the Chair of the United Nations System Chief Executives Board for Coordination, encourage the development of plans to transform the role of finance functions as leaders in driving forward the quality of financial management across the United Nations system;**

20. In relation to the United Nations and its peacekeeping operations, the Board recommends that the Administration:

Dry run audits and opening balances

(d) **For peacekeeping operations, prepare dry run financial statements for the first six months to 31 December 2013, as far in advance as possible of the full audit of the first set of IPSAS statements in the third quarter of 2014;**

(e) **For the United Nations Volume I opening balances, by 1 September 2014: (i) complete the consolidation of all information for plant and equipment in relation to offices away from Headquarters, and verify that items have been consistently capitalized and records are complete and accurate; and (ii) confirm that the reporting capability in Umoja can support the accurate allocation of cash and investments among cash pool participants;**

Mitigating the risk of using multiple legacy systems

(f) **To assure the completeness and reliability of accounting data for the United Nations and its peacekeeping operations financial statements, by 1 September 2014: (i) document the consolidation process, showing the data flows between the different systems and the IPSAS Integrated Management Information System (IMIS) ledgers; and (ii) document and test the internal controls to check the accuracy and completeness of the data transferred between systems and posted to the IPSAS IMIS ledger, for example, through data reconciliation and control totals.**

21. For the remaining entities going live in 2014, the Board's recommendations are set out in the report for each entity.

Follow-up to previous recommendations

22. Overall, 11 (65 per cent) of the previous recommendations were implemented and 6 (35 per cent) are under implementation (see annex II). Where appropriate, the Board comments further on the action taken on the previous recommendations in the relevant sections of the report.

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I. Background

1. In July 2006, in its resolution 60/283, the General Assembly approved the adoption of the accruals-based International Public Sector Accounting Standards (IPSAS) for the presentation of the organizations' financial statements. The International Public Sector Accounting Standards are independently developed standards written specifically for the public sector. They are more precise and detailed than the internally developed United Nations System Accounting Standards, leaving far less scope for inconsistent interpretation.

2. Accruals accounting requires organizations to recognize costs when they are incurred and income when it is earned. IPSAS also requires full disclosure of the value of organizations' assets, such as property, plant and equipment, and liabilities, such as staff-related liabilities, which United Nations organizations have not always captured and reported in their financial statements before. IPSAS-based accounts provide a more accurate picture of organizations' costs, income, assets and liabilities. Most importantly, IPSAS will provide improved information that, if used well, can enable improved financial management and be used to drive cost-effective decision-making, secure better value for money, enhance accountability and transparency, and help to maintain the long-term financial sustainability of United Nations entities.

3. In 2006 the High-level Committee on Management recommended that all United Nations system organizations, with the exception of three early adopters, implement IPSAS no later than 2010. This implementation target proved impractical. By 31 December 2009, 13 organizations had revised their original timeline, and further deferrals followed. Most significantly, peacekeeping operations deferred implementation of IPSAS to 1 July 2013 and the United Nations to 1 January 2014. The latest implementation dates for United Nations system organizations are set out in annex I.

Scope

4. In October 2010, the Advisory Committee on Administrative and Budgetary Questions recommended that the Board of Auditors prepare an annual report on progress towards the implementation of IPSAS (A/65/498). The Board produced its first report in July 2011 (A/66/151), the second report in July 2012 (A/67/168) and the third report in July 2013 (A/68/161).

5. The present report is the fourth and final progress report on the implementation of IPSAS. From 2015 onward, all United Nations entities within the Board's portfolio will have implemented IPSAS, and the progress being made in using the new information generated by this change in accounting framework will be embodied in the Board's entity-level reports.

6. The report covers the following:

- **Benefits realization** (section II). The progress made by the United Nations and its peacekeeping operations, and the funds and programmes that

implemented IPSAS in 2012,[1] in developing and embedding benefits realization plans; improved financial reporting; and enhanced financial management in finance functions and across entities more generally

- **Progress on the adoption of IPSAS in the United Nations and peacekeeping operations** (section III)
- **Progress on the adoption of IPSAS in the remaining United Nations entities adopting IPSAS in 2014** (section IV)[2]

7. The report does not cover progress made by the funds and programmes that implemented IPSAS in 2012 in relation to improved control and financial statements preparation and the use of transitional provisions. Those matters are covered where appropriate in the Board's entity-level reports for the second quarter of 2014.

Follow-up to previous recommendations

8. Progress on the previous recommendations of the Board is set out in annex II. Overall, 11 (65 per cent) of the previous recommendations were implemented and 6 (35 per cent) are under implementation specifically as part of the preparation of opening balances. Where appropriate, the Board comments further on the action taken on the previous recommendations in the relevant sections of the report.

II. Benefits realization

United Nations

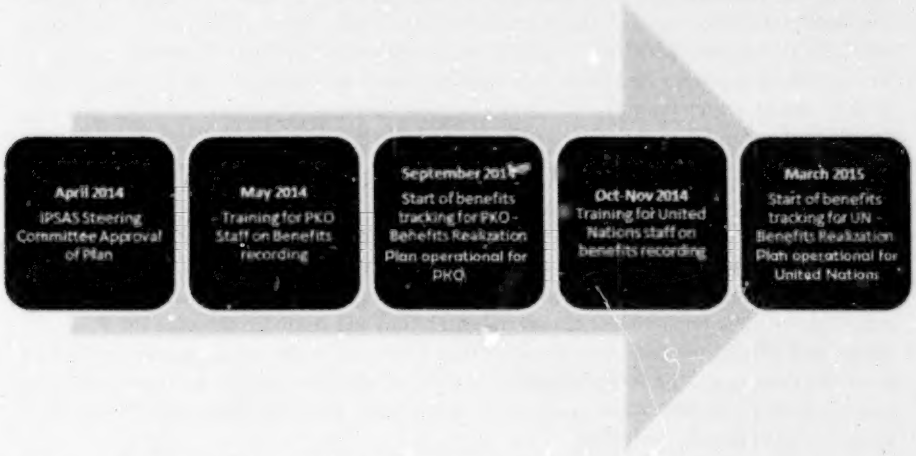
9. In each of its three previous progress reports the Board recommended that the Administration develop an IPSAS benefits realization plan. The Administration plans to track and report benefits from peacekeeping operations from September 2014 and the wider United Nations from March 2015. This coincides with the completion of the first sets of IPSAS financial statements when the information will become available to measure realized benefits. The arrangements for implementing

[1] United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations Office for Project Services (UNOPS), United Nations Children's Fund (UNICEF), Office of the United Nations High Commissioner for Refugees (UNHCR), United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), United Nations Joint Staff Pension Fund, United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and United Nations Capital Development Fund.

[2] United Nations Office on Drugs and Crime (UNODC); International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991; United Nations University (UNU); United Nations Human Settlements Programme (UN-Habitat); International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994; Environment Fund of the United Nations Environment Programme (UNEP); United Nations Framework Convention on Climate Change; United Nations Convention to Combat Desertification; United Nations Institute for Training and Research (UNITAR); United Nations Compensation Commission; International Residual Mechanism for Criminal Tribunals; and International Trade Centre (ITC).

the benefits realization plan include training those involved in measuring, tracking and reporting benefits (see figure).

Figure
Timeline for completing the United Nations IPSAS benefits realization plan


April 2014
IPSAS Steering Committee Approval of Plan
May 2014
- Training for PKO Staff on Benefits recording
September 2014
Start of benefits tracking for PKO - Benefits Realization Plan operational for PKO
Oct-Nov 2014
Training for United Nations staff on benefits recording
March 2015
Start of benefits tracking for UN - Benefits Realization Plan operational for United Nations

Source: United Nations IPSAS implementation team.
Abbreviation: PKO — peacekeeping operations.

10. The Administration plans to capture quantitative and qualitative benefits across 15 key categories relating to the five key strategic benefits originally envisaged from IPSAS adoption in 2006 (see A/60/846/Add.3):

- Improved stewardship of assets and liabilities
- Alignment with best accounting practices
- Availability of more comprehensive information on costs to better support results-based management
- Increased transparency and accountability
- Improved consistency and comparability

11. The 15 areas in which benefits are to be tracked provide comprehensive coverage of the main expected benefits of IPSAS, and key performance indicators will provide appropriate information to measure the benefits achieved (see annex III). Accountability for benefits measurement and reporting lines has also been clarified; and the Administration intends to report the results to the Management Committee.

12. In 2013 and 2014, the Administration has focused primarily on implementing IPSAS and rolling out its new enterprise resource planning system, Umoja. Consequently, there has been limited progress in developing improved management information for senior management. However, reporting to the Management Committee on key financial performance information and ratios has started, from May 2014, as well as more regular reports on the cash position of the United Nations. The Board notes that the Administration has also started to brief those charged with governance on what the new IPSAS financial statements will look like

and how they can be interpreted to draw new insights about organizational performance.

13. The Board has previously highlighted how the new IPSAS-based information should enable improvements in important business functions. The strategic capital review[3] is one example of how asset information generated to support IPSAS implementation is enabling the Administration to plan more effectively. The Office of Central Support Services is using improved information on property assets to develop a longer-term and more strategic approach to managing the United Nations global estate which should, if approved and successfully implemented, generate significant value for money gains over the long term.

14. IPSAS is providing the Office of Central Support Services with more complete information on United Nations assets and with the basis for consistent financial analysis. For example, the strategic capital review uses key IPSAS terms and concepts in presenting the long-term maintenance requirements of the real estate assets of the United Nations. Capital maintenance projects are being evaluated and prioritized on the basis of the extent to which they maintain or enhance the financial value, and extend the anticipated useful life, of the asset. By using consistent IPSAS terms and concepts, the Administration is able to calculate capital reinvestment rates and provide a common basis for comparison across projects, time periods and duty stations to aid decision-making.

Funds and programmes that implemented IPSAS in 2012

Benefits realization plans

15. In 2013 nine entities successfully produced IPSAS-compliant financial statements for the period ended 31 December 2012.[4] The same entities all received unqualified audit opinions in the second full year of IPSAS implementation, reflecting the efforts to enhance and stabilize the new processes to generate the data needed for IPSAS compliance.

16. The Board had previously urged, given the strong previous focus on technical implementation, concerted action by entities to complete benefits realization plans with a renewed focus on using the new information to modernize business administration and drive cost-effective delivery. All entities have made progress in developing and implementing benefits realization plans, although even the entities that made the most progress are only in the early stages of implementation (see table 1). For example, UNHCR completed and implemented its benefits realization plan, and responsibility for monitoring delivery of the identified benefits has been assigned to divisions. UNFPA has prepared a draft of the IPSAS benefits realization plan, but this is yet to be reviewed and shared with the stakeholders. UNRWA has developed an IPSAS dividend document which outlines benefits realized from the adoption of IPSAS, and is about to complete its benefits realization plan.

17. The Board will, in its future audits at the entity level, focus on the actual benefits being delivered at entities, and considers there is now sufficient momentum

[3] The strategic capital review seeks to provide an informed understanding of future capital requirements and approaches to asset management (see A/68/733).

[4] UNDP, UNFPA, UNOPS, UNICEF, UNHCR, UN-Women, United Nations Joint Staff Pension Fund, UNRWA and United Nations Capital Development Fund.

for all entities to have implemented plans to deliver and monitor IPSAS benefits in the next 12 months.

Table 1

Progress in implementing IPSAS benefits realization plans

Benefits plans being implemented	*Plans developed but not yet approved*	*Plans under development*
UNHCR	UNFPA	UNRWA
United Nations Joint Staff Pension Fund		UNOPS
UNICEF		
UNDP		
United Nations Capital Development Fund		
UN-Women		

Management information and reporting

18. The adoption of IPSAS and the resultant changes to enterprise resource management systems offer a valuable opportunity to produce regular and systematic financial performance information for use by management. All entities have made progress in this regard; nearly all entities provide some form of enhanced information to management on a monthly and quarterly basis; and many have clear plans for continued improvement and refinement of their financial management reporting to management at all levels.

19. For example, UNHCR provides monthly management reports and accounts to its country representatives, highlighting balances, such as inventory, which appear to be outside normal parameters, and provides senior management with monthly reports summarizing key data on revenue, expenditure, assets and liabilities supported by ratio analysis of the results. Similarly, UNRWA has enhanced its enterprise resource planning system and is producing enhanced monthly management financial performance information, which has notably facilitated better tracking of accounts receivable and payable. As a result, funding pledges from donors are now better tracked and managed. UNICEF is monitoring its balance sheet accounts on a monthly basis and submitting quarterly management reports on an IPSAS basis. UN-Women provides a monthly statement of financial performance and statement of financial position to the Executive Director and senior management team, a practice that could be adopted more widely by other entities.

Transformation of finance functions in the United Nations and its funds and programmes

Transformation of the finance function

20. The Board previously highlighted the need for the finance functions of United Nations entities to develop their professional skills and capacities to meet the demands of IPSAS, and to consider how to raise the general level of financial

literacy across their organizations. In addition, it highlighted IPSAS implementation as a significant opportunity to enhance the role of the finance function in leading improved financial management, providing advice to help managers to better understand their cost base and how such costs can be controlled to help manage financial challenges and also to help managers understand the financial consequences of their decisions. The Board also encouraged the financial management community to develop a vision for good financial management within the United Nations system and to develop plans to achieve this (A/68/161, paras. 27-30).

21. The Board in the current period has noted, as evidenced in the entity-level reports and the summary, the continuing trend of increasing use of ring-fenced voluntary funds as an important funding methodology. Combined with continuing fiscal constraints and the launch of significant cost reduction measures, this has important implications for the business delivery models of many entities, especially those predominantly reliant on voluntary funding. Entities, for example, UNODC, recognize the need to transform their programme planning and delivery to better reconcile the priorities of donors and to attain greater insights into the costs of activities to inform and justify the levels of cost recovery required to maintain corporate capability to deliver mandates cost-effectively.

22. IPSAS is an important step towards getting better and more transparent information on costs. However, using this new information will require investment in new and enhanced financial management skills across the entire business. Some entities are recognizing this and have started investing as set out below. In the light of the continuing financial pressures in the system, the need for an enhanced role and profile for the finance function to challenge and advise the business on all aspects of operational and programmatic delivery has become even more apparent.

23. While there is no evidence yet of a wider initiative to transform and modernize the role of the finance function, there is encouraging evidence of enhanced financial management and ongoing improvement initiatives at all entities following IPSAS adoption. The real test of benefits realization will be how entities can demonstrate quantitative and qualitative improvements in the cost-effective delivery of their mandates; the sorts of improvements that are occurring, examples of which are set out below, are laying the foundations to achieve this.

Investment in improved financial management capacity and skills

24. Four entities are making considerable investment in their financial management capacity and skills, particularly the larger entities with extensive global office networks. In particular, UNICEF and UNFPA, in collaboration with UNDP, are offering to a significant number of staff an internationally recognized public sector and IPSAS-orientated finance training and certification programme in partnership with the Chartered Institute of Public Finance and Accountancy. The aim is to further develop knowledge and skills in financial management for staff working in finance or engaged in the management and oversight of financial resources. The training programme started for the first cohorts of staff in 2014. This is an initiative that might be usefully considered by other entities.

25. The UNDP finance function has been at the forefront of a number of initiatives to improve financial management across the organization, including leading a

financial sustainability exercise in 2013 and developing and implementing an integrated resource management framework during 2012-2013.

26. UNHCR has reorganized its headquarters finance function to introduce certain specialist financial management and reporting posts at a higher grade to attract better qualified staff. This has strengthened the central financial management function and supported development of improved in-year financial reporting, although there remains a need to enhance finance capacity in field operations.

Improvements in financial management processes

27. There is clear evidence of increased rigour in financial management processes engendered by IPSAS. The speed and focus of improvement efforts varies across entities and most are in progress. At this stage it is difficult to undertake a comparative assessment, but the examples set out below are illustrative of progress made.

28. For example, UN-Women introduced an IPSAS accounting policy manual; documented month-end and year-end closure instructions (requiring certification by heads of office); a finance manual; regular headquarters review and reconciliation of general ledger balances; and a biannual physical count of assets and update of leases. The new processes and guidance have, significantly, moved the responsibility and accountability for financial management functions to the country offices, with headquarters able to play a more effective oversight and quality assurance role. This is transforming the financial management and business processes of UN-Women and has led to improved management and donor reporting throughout the financial year.

29. At UNFPA, business processes to manage assets and liabilities have improved significantly. This, combined with the need for year-end certification of such balances, has increased accuracy and accountability across UNFPA. In addition, owing to the more exhaustive nature of IPSAS, UNFPA has automated the process for preparing its financial statements, resulting in management spending more time reviewing rather than preparing the financial statements. UNFPA automation of its end-of-month financial processes will hold significant lessons for other entities.

30. UNICEF, starting in 2013, requires all offices to review their financial data on a monthly basis. The goal is to focus on risk areas and ensure timely quality financial information for UNICEF management. UNICEF is also developing a dashboard to measure indicators of data quality such as incomplete bank reconciliations, old purchase orders and receipt of goods. The dashboard will be used by operations officers, regional chiefs of operations and the finance team to determine the accuracy and reliability of financial data. The Fund has also created a tool to highlight non-compliance with the financial closure instructions and will use it to follow up with offices that have not completed the required activities.

31. UNRWA closes its general ledger along with a system-generated detailed financial report on a monthly basis. The monthly finance reports are shared with donors.

Annual accounts and reporting

32. In its previous reports the Board encouraged UNDP, UNFPA, UN-Women and UNOPS to prepare financial statements by 31 March each year rather than 30 April. The Board has pursued the matter with the entities during 2013 and 2014, but UNOPS is the only entity to date that has made the change. UNDP, UNFPA and UN-Women consider that the need to consolidate and process financial data from various national and implementing partners and other United Nations entities prevents them from bringing forward their timetables. The Board will continue to pursue this initiative as it considers that modern integrated financial accounting systems enable faster closing and faster audits, which can support more timely presentation of audited financial statements to governing bodies and other users.

33. The Board also notes that the United Nations Joint Staff Pension Fund can produce its financial statements only after receiving confirmed contributions data from its participating member organizations, which usually happens after closure of their accounts on 31 March. Currently, the Fund submits its financial statements for audit before the end of April. The Fund needs to continue to work with member organizations to obtain contributions data earlier to help with the earlier preparation of its financial statements.

III. Progress on the adoption of the International Public Sector Accounting Standards in the United Nations and its peacekeeping operations

Accounting policy framework and guidance

34. The accounting policy framework for the United Nations, including policy guidance notes for practitioners, was issued on 31 December 2013 (ST/IC/2013/36). The framework provides a sound basis for the United Nations and its funds and programmes to implement IPSAS. The framework provides a set of guiding principles that individual entities can tailor to develop accounting policies most appropriate to their particular circumstances and business operations.

Peacekeeping operations

Audit of the opening balances

35. In its third progress report (A/68/161) the Board highlighted the challenging timetable set by peacekeeping operations to prepare IPSAS opening balances by January 2014. In practice, the opening balances for the active and closed missions were presented for audit in April 2014. The delay occurred as a result of slippage in the roll-out timetable for the new United Nations enterprise resource planning system (Umoja) in peacekeeping missions and the time taken to prepare the accounting data to support opening balances.

36. The Board completed the audit of the opening balances of individual missions in April 2014. The audit provided assurance with respect to the material completeness and accuracy of opening balances for each mission, but a number of important technical issues were reported to the Administration which need to be

addressed ahead of the audit of dry run financial statements in the third quarter of 2014. For example, $450 million (22 per cent) of all property, plant and equipment reported in the IPSAS opening balances was fully depreciated yet still in use. This indicates that a large proportion of assets still have economic value to the organization, which is not adequately reflected in the financial statements.

37. Significant elements of work remain outstanding:

- The Administration did not produce a consolidated opening balance sheet in time for audit, owing to the challenge of using a complex architecture of systems used to bring information in to IMIS for consolidation.
- Some aspects of inventory were also not presented for audit because the value has not yet been estimated. A methodology to develop an estimate for inventory has been agreed, but an estimate was not available at the time of reporting. The Board, therefore, has been unable to provide assurance to the Administration over the opening consolidated statements of financial position and statement of financial performance, nor assurance that in-year transactions and balances for peacekeeping operations in the first year of IPSAS are being properly processed, accounted for and reported. As a consequence, should any major unforeseen errors or issues arise before or during the examination of the dry run financial statements, very limited time, and potentially insufficient time, will be available to resolve them.

Impact of the roll-out of the new enterprise resource planning system on financial processes and controls in peacekeeping operations

38. Major as yet unresolved issues with financial transactions have emerged following the implementation of the new United Nations enterprise resource planning system in peacekeeping operations. At the time of the present report there are high volumes of open and unreconciled transactions in respect of bank reconciliations, accounts payable and payroll, potentially affecting the integrity of peacekeeping accounting and financial records, which may also indicate that key internal controls may have been inoperable throughout or for part of the financial year. Further commentary on these issues is contained in the Board's latest report on the enterprise resource planning system project (A/68/151). The Board will examine the impact of the enterprise resource planning system roll-out on the financial accounts and internal control environment of peacekeeping operations, including the impact on its audit opinion, as part of its next audit of peacekeeping operations for the year ended 30 June 2014. At the time of this report, the task force's work remained ongoing, and the Board notes that significant effort has been made to close and reconcile outstanding transactions within bank reconciliations.

United Nations

Systems development

39. The United Nations implemented IPSAS from 1 January 2014. As previously reported, in view of delays in implementing the new enterprise resource planning system, the Administration decided on a pragmatic basis to use the legacy Integrated Management Information System as a one-year transitional measure for the production of IPSAS-compliant financial statements. The current position is that,

owing to further delays in the enterprise resource planning system project, transactional data for the United Nations will be held in multiple systems for the first two years (see table 2).

Table 2
Systems in which United Nations transactional data will be held

Entity location	*Accounting data*	*Period*	*System used*
United Nations Secretariat: New York and offices away from Headquarters	Payroll for international staff and non-payroll transactions	1 January to 31 December 2014	IMIS
Offices away from Headquarters	Payroll transactions for locally paid staff	1 January to 31 December 2014	Local payroll systems, for example, Progen
United Nations Office at Nairobi and Economic Commission for Africa	Payroll and non-payroll transactions	1 January to 31 October 2014	IMIS
	Non-payroll transactions	1 November to 31 December 2014	Umoja
United Nations Secretariat: New York	Property, plant and equipment and real estate	1 January to 31 December 2014	Asset Management Information System (AMIS)
Offices away from Headquarters	Property, plant and equipment and real estate	1 January to 31 December 2014	Local systems: spreadsheet-based
Special political missions	Non-payroll transactions	1 January to 28 February 2014	Local: Sun finance system
Special political missions	Non-payroll transactions	1 March to 31 December 2014	Umoja
Special political missions	Inventory and property, plant and equipment and real estate	1 January to 31 December 2014	Umoja fixed asset register
Office for the Coordination of Humanitarian Affairs	All transactions	1 January to 31 October 2014	IMIS
Office for the Coordination of Humanitarian Affairs	Non-payroll transactions	1 November 2014 to 31 December 2014	Umoja
All non-special political mission United Nations Secretariat locations	Inventory	1 January to 31 December 2014	Local systems: spreadsheet-based

Source: Board of Auditors analysis of United Nations accounts preparation processes.

40. For the purposes of IPSAS implementation, the transactions will be processed across the 11 systems and locations as described. Consolidation will involve a highly unusual and significant amount of manual adjustment and posting to the

IPSAS IMIS ledger, which carries higher risks of error and requires management override of controls. The Board previously highlighted concerns about the highly complex systems architecture that will be used to prepare the first year of IPSAS statements (A/68/161, paras. 61-66). The Board conducted further work in September 2013 and made specific interim recommendations on the mitigation of risks relating to systems architecture and the need to develop both mitigating measures and controls to test the transfers for accuracy and completeness.

41. As at July 2014, since the recommended suite of internal controls had not been implemented and the consolidation process not fully completed, the Board has been unable to test the controls to mitigate the risks of multiple data transfers between systems, manual input, adjustment and consolidation of data in the IPSAS IMIS ledger. It is critical that this control environment be fully developed and tested by the third quarter of 2014 to help the Secretariat deliver IPSAS-compliant statements.

Preparation of United Nations opening balances

42. The Administration is on track to produce opening balances by September 2014 as planned. The Administration considers it will face relatively fewer challenges than in peacekeeping operations as the real estate is less complex and there is far less plant, equipment and inventory to account for.

43. The Administration has made significant progress in gathering and cleansing financial data to support the United Nations Volume I opening balances. It has obtained professional valuations of its real estate (land and buildings) to provide a sound basis for the property valuations included in the opening balances — over 1,000 lease agreements have been fully reviewed and collated in a central database — and has made good progress collating and cleansing data relating to Headquarters plant and equipment. The Board, however, has not yet been able to confirm that asset information from offices away from Headquarters, which was still being collated at the time of audit, is consistent and complete.

44. The United Nations Treasury invests some $10.5 billion surplus cash balances held by the United Nations and its funds and programmes in a financial instrument portfolio. On 30 June 2013 the Administration transferred financial instrument portfolio management from the OPICS investment management system to the new enterprise resource planning system. The data migration was successful, but the enterprise resource planning system does not yet have the same reporting functionality as OPICS to provide information to support the allocation of cash and investments to pool participants. There is therefore an as yet unaddressed risk that the enterprise resource planning system will not provide an adequate audit trail to support the accurate allocation of cash and investments to pool participants.

IV. Progress on the adoption of the International Public Sector Accounting Standards at other United Nations entities going live in 2014

45. All of the other 12 entities[5] with a target date for IPSAS adoption of 1 January 2014 have now adopted IPSAS and are in the process of finalizing their opening balances for the first year of accounting under IPSAS. The Board last reported on the progress made by these entities in 2012, in its second progress report (A/67/168), with the exception of the United Nations Compensation Commission.

46. The Board previously highlighted that UNU, the United Nations Framework Convention on Climate Change and the United Nations Convention to Combat Desertification were at high risk of an unsuccessful implementation owing to a combination of factors, including an absence of dedicated IPSAS resources and governance arrangements, the absence of implementation plans, the lack of accounting policies refined for the local circumstances of the organizations and uncertainty in relation to the readiness of enterprise resource planning systems. The Board made no specific recommendations at that time as the issues were addressed in detail in the respective long form reports of the entities. All the other entities were considered at moderate risk. The exception was the International Trade Centre, which was considered well advanced in its preparations.

Latest position on progress of United Nations entities

47. Significant efforts have been made by the entities since 2012 and all are on track to successfully implement IPSAS, although some still face risks that need to be carefully managed. Table 3 summarizes the position for each entity. Overall, while none of the entities can be complacent and there are issues requiring action, none of the entities faces serious risks to the production of first-time IPSAS-compliant financial statements. This is a significant improvement from two years ago.

[5] UNODC; International Tribunal for the Former Yugoslavia; UNU; UN-Habitat; International Criminal Tribunal for Rwanda; Environment Fund of UNEP; United Nations Framework Convention on Climate Change; United Nations Convention to Combat Desertification; UNITAR; United Nations Compensation Commission; International Residual Mechanism for Criminal Tribunals; and ITC.

Table 3
Progress at the entities adopting IPSAS in 2014

Entity	*Accounting policies complete*	*Systems in place to implement and demonstrate the application of the policies*	*Are the entities on track to produce opening balances?*	*Applying transitional provisions*	*Benefits realization plan developed*	*Ability to produce IPSAS-compliant statements*
ITC	✔	✔	✔	✓	✗	✔
UNODC	✔	✔	✔	✓	✗	✔
International Tribunal for the Former Yugoslavia[a]	✔	✔	✔	✗	✗	✔
International Criminal Tribunal for Rwanda[a]	✔	✔	✔	✗	✗	✔
International Residual Mechanism for Criminal Tribunals[b]	✔	✗	✗	✗	✗	✔
United Nations Framework Convention on Climate Change	✔	✗	✔	✓	✔	✔
United Nations Convention to Combat Desertification[b]	✔	✗	✔	✓	✗	✔
UNU[b]	✔	✔	✔	✓	✗	✔
UNEP	✔	✔	✔	✗	✗	✔
UN-Habitat	✔	✔	✔	✗	✗	✔
UNITAR	✔	✔	✔	✓	✗	✔
United Nations Compensation Commission	✔	✔	✔	✓	✗	✔

Source: Board of Auditors' examination of progress.

[a] At the time of the Board's second progress report there was uncertainty as to whether the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia would adopt IPSAS. The decision to adopt was confirmed in 2013.

[b] These entities have minor residual matters to resolve on their accounting policies.

48. Of the 12 entities, 11 (with UNU being the exception) will be dependent on the use of the financial systems of the United Nations for production of their first-time IPSAS financial statements. As noted in section III, the United Nations will be using a complex architecture of legacy systems, enhanced to meet IPSAS requirements, and those parts of the new enterprise resource planning system rolled out over time.

As already highlighted, this is an inherently risky approach, and there remains some uncertainty at the time of the present report and in advance of opening balances preparation and dry run audits about how well it will work.

49. A total of 7 of the 12 entities will make use of transitional provisions in the first year of IPSAS adoption. The transitional provisions will be used primarily in relation to property, plant, equipment, intangible assets and leases when the entities face difficulties in compiling comprehensive information on the existence and valuation of assets.

50. Only the United Nations Framework Convention on Climate Change has developed a comprehensive benefits realization plan. The other 10 entities will draw on the benefits realization plan developed by United Nations Headquarters to capture the benefits of adopting IPSAS. The Board encourages these entities to fully utilize the Headquarters model to develop their localized plans to derive the full benefits of using the new accounting framework to improve their financial management capability and skills and cost-effective delivery of their mandates.

51. ITC, the United Nations Framework Convention on Climate Change and the United Nations Convention to Combat Desertification have all made good progress and are considered on track and at relatively low risk of failing to produce IPSAS-compliant financial statements. The International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda and the International Residual Mechanism for Criminal Tribunals have also made good progress, with some residual risks remaining in preparation for IPSAS in relation to the completeness of property, plant, equipment and inventory. The risks are not considered unmanageable.

52. Similarly, UNU is on track for producing IPSAS-compliant information. No delays are anticipated in the preparation of opening balances. It resolved its previous uncertainty over its enterprise resource planning system and will continue to use the Atlas PeopleSoft enterprise resource planning system. Key changes to the system, namely the receipt accrual process and asset management module, were implemented in 2013. The chart of accounts is also ready for IPSAS-compliant reporting as UNU shares the same general ledger accounts as UNDP. The Board has confirmed that the UNU systems are ready and have the functionality to produce accruals-based financial statements for 2014.

53. The remaining entities have some residual entity-specific risks or issues that require careful management.

United Nations Office on Drugs and Crime

54. While UNODC has been proactive in preparing IPSAS opening balances, it faces a number of challenges in having complete and reliable information. The main areas it needs to address are as follows:

- UNODC projects involve assets under construction. UNODC will need to ensure it can attribute the appropriate value at each year-end and at the point of handover to a beneficiary.
- Most of the UNODC property, plant and equipment is located in its network of field offices. Headquarters staff rely on the returns submitted by the field and

as yet have been unable to validate the completeness and validity of the returns, partly because of a lack of dedicated resources.

- Field offices need more training on the recognition of income and pledges and on ways to account for this in the correct year of account.

United Nations Environment Programme

55. UNEP has made strong progress in its preparation of opening balances for IPSAS and now has a full list of all its out-posted offices. UNEP holds data in respect of property, plant, equipment, donated assets and leases. Where formal lease agreements do not exist, UNEP managers have been asked to attempt to obtain letters or other supporting documentation to justify occupancy of office building space donated by governments/agencies and to estimate the fair value of those arrangements.

UN-Habitat

56. UN-Habitat is on track to successfully adopt IPSAS in 2014. It has made progress in such areas as reconciling data held in Hardcat for preparing opening balances, providing instructor lead training for relevant staff and logging donor agreements in an appropriate database. UN-Habitat plans to use transitional provisions in respect of project assets.

United Nations Institute for Training and Research

57. UNITAR is working closely with the United Nations Office at Geneva in the implementation of IPSAS. Risks remain in relation to the preparation of opening balances of reportable assets (property, plant and equipment, inventory and intangibles) as at 1 January 2014, although UNITAR is well placed to address and manage the risks.

United Nations Compensation Commission

58. The United Nations Compensation Commission implemented the International Public Sector Accounting Standards, in accordance with the United Nations-wide IPSAS implementation plan, on 1 January 2014. The adoption of IPSAS will have no impact on the underlying financial transactions or activities of the Commission, but introduces new terminology and changes the way in which transactions are treated and presented in the financial statements. The Commission needs to develop comprehensive disclosure notes on the oil proceeds and compensation payments for its IPSAS financial statements and sensitize the Governing Council to changes in the form and content of the financial statements. The action to do this has already been included in the Commission's IPSAS implementation plan.

V. Acknowledgement

59. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Management of the entities concerned and members of their staff.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania

30 June 2014

Annex I

United Nations system organizations' targets for implementation of the International Public Sector Accounting Standards

Year	*Number of organizations*	*Organization*
2014	4 (+11)[a,c]	United Nations (including peacekeeping operations)[a,b,c]
		World Tourism Organization
		United Nations University[b]
		Food and Agriculture Organization of the United Nations
2012	11	International Labour Organization
		Office of the United Nations High Commissioner for Refugees[b]
		United Nations Development Programme[b]
		United Nations Capital Development Fund[b]
		United Nations Population Fund[b]
		United Nations Children's Fund[b]
		United Nations Office for Project Services[b]
		United Nations Relief and Works Agency for Palestine Refugees in the Near East[b]
		United Nations Joint Staff Pension Fund[b]
		World Health Organization
		United Nations Entity for Gender Equality and the Empowerment of Women[b]
2011	2	International Atomic Energy Agency
		Universal Postal Union
2010	8	International Civil Aviation Organization
		International Maritime Organization
		International Telecommunications Union
		Pan American Health Organization
		United Nations Educational, Scientific and Cultural Organization
		United Nations Industrial Development Organization
		World Intellectual Property Organization
		World Meteorological Organization
2008	1	World Food Programme

[a] The United Nations Framework Convention on Climate Change, the United Nations Convention to Combat Desertification, and the United Nations Compensation Commission do not report to the General Assembly but will adopt IPSAS in 2014 in accordance with the United Nations IPSAS adoption (timetable and implementation strategy). All three are audited by the Board of Auditors.

[b] Audited by the Board of Auditors.

[c] Eight entities adopted IPSAS in 2014, in accordance with the United Nations IPSAS adoption (timetable and implementation strategy): United Nations Office on Drugs and Crime (UNODC); International Tribunal for the Former Yugoslavia; United Nations Human Settlements Programme (UN-Habitat); International Criminal Tribunal for Rwanda; Environment Fund of the United Nations Environment Programme (UNEP); United Nations Institute for Training and Research (UNITAR); the International Residual Mechanism for Criminal Tribunals; and International Trade Centre (ITC). All eight are audited by the Board of Auditors.

Annex II

Status of implementation of previous recommendations

Recommendation	*Paragraph number*	*Financial period in which first made*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
The Board recommends that the United Nations, in developing the benefits realization plan, take into account the impact of its decision to use the Integrated Management Information System (IMIS) and other existing systems	17	2012	X			
For the United Nations and the funds and programmes implementing the International Public Sector Accounting Standards (IPSAS), the Board reiterates its previous recommendations that they should: (a) Define and plan for benefits they expect to achieve from the new information that will be available under IPSAS; (b) Establish clear accountability for benefits delivery; (c) Establish mechanisms to track benefits delivery; (d) Keep senior management and governing bodies apprised of progress towards benefits realization	21	2012	X			
The Board recommends that all entities finalize or prepare a comprehensive benefits realization plan by the end of 2012	22	2012		X		
The Board recommends that entities consider how information generated from IPSAS accounts can be used to develop comprehensive management accounts on the costs of operations to support effective management decision-making	27	2012		X		
Conscious of the need for each entity to apply IPSAS-compliant accounting policies to fit its specific circumstances and activities, the Board reiterates its previous recommendation that the IPSAS Task Force establish the reasons for significant differences in accounting policy treatments with a view to achieving greater consistency	43	2012	X			

Recommendation	*Paragraph number*	*Financial period in which first made*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
The Board recommends that the Administration:	61 and 63	2012		X		
(a) Detail, within the implementation strategy, what each of the key tasks noted below will involve and provide coverage to all the affected entities in volumes I (United Nations) and II (United Nations peacekeeping operations) of the financial reports and audited financial statements:						
(i) Development of technical adjustments/enrichments to IMIS and local databases and systems and procedures to support the requirements of IPSAS starting on 30 June, with a target date for completion of 31 October 2012;						
(ii) Introduction of new IMIS object codes to separately capture IPSAS-associated costs relating to acquisition of assets starting on 1 October 2012, with a target date for completion of 1 January 2013;						
(iii) Completion of development and testing of the initial version of technical adjustments/enrichments to IMIS, Procure Plus, local databases and systems and office-specific systems and procedures to support the requirements of IPSAS by 31 December 2012;						
(iv) Testing of the IMIS parallel ledger process and enhancement of the financial statement consolidation process with data as at 31 December 2012 by 31 July 2013;						
(v) Confirmation of the final version of the transition plan, with instructions for opening balances and tested IMIS parallel ledger and enhanced financial statement consolidation processes, and full architecture of staging areas, enhanced systems and processes to support IPSAS by 30 September 2013;						
(b) Reassess the risks to implementation. The Board recommends that the implementation strategy be completed, at the latest, by the start of the third quarter of 2012						
The Board recommends that, in developing guidance on IPSAS for use across the United Nations, and in particular at those locations where IMIS and its control environment are not available, the Administration should:	80	2012		X		

Recommendation	*Paragraph number*	*Financial period in which first made*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
(a) Ensure that procedures are incorporated into the guidance to ensure adequate control over the accuracy, completeness and reliability of data prepared for manual input into IMIS;						
(b) Consider whether it will be more cost effective, less complex and less risky to develop the application guidance afresh rather than updating and amending existing accounting guidance. The Board also considers that revised guidance should be available for peacekeeping operations no later than December 2012						
The Board recommends that all entities finalize or prepare a comprehensive and practical benefits realization plan by the end of 2013	18	2013	X			
The Board encourages all entities reporting on benefits to also be clear about the one-off and recurring costs of IPSAS implementation and how these have been handled or will be managed going forward	20	2013	X			
The Board updates its previous recommendation that all entities consider how information generated from IPSAS accounts can be used to develop comprehensive management accounts and information on the cost of operations to support more effective management decision-making	26	2013	X			
The Administration accepted the Board's recommendation that it complete the benefits realization plan by the end of 2013 and establish a clear framework of performance milestones against which to monitor the plan's implementation	40	2013		X		
The Administration accepted and has already implemented the Board's recommendation that it update and commit to the deadlines for opening balances and interim statements within each of the action plans and actively manages their delivery as key milestones	50	2013		X		
The Board also recommends that the Administration:	51	2013	X			
(a) Clearly notify all United Nations and peacekeeping locations of the transactional information needed to construct opening balances;						
(b) Undertake testing and validation of data by the end of September 2013, to assess whether sufficient progress is being made to achieve target milestones						

Recommendation	*Paragraph number*	*Financial period in which first made*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
The Administration accepted the Board's recommendation that it undertake a financial statements simulation exercise for the peacekeeping operations financial statements (Volume II) similar to that undertaken for the United Nations. The Administration noted that this was already part of the current IPSAS implementation plan	54	2013	X			
The Board recommends that the Administration prioritize: (a) Rolling out definitive accounting guidance and instructions to all peacekeeping operations and United Nations locations (including a finalized policy on the treatment of inventory) to standardize the accounting treatment of accounting data; (b) Issuing clear instructions to all locations on how to account for assets and liabilities by counting and recording their property, plant and equipment and inventory and checking that these are accurately reflected in corporate information systems, such as Galileo	59	2013	X			
The Board recommends that the Administration complete systems developments and adjustments by the end of August 2013 and confirm that: (a) All transactional data in each individual system is clearly identifiable at the individual transaction level; (b) Each system can produce a control report or trial balance to consolidate individual transactions for transfer, either manually or across an interface to IMIS; (c) Transfers of balances from each system are received as equivalent inputs in IMIS	66	2013	X			
The Board recommends that the Administration implement the IPSAS Project Assurance Officer's recommendations as a matter of urgency, so as to improve risk management information and the accuracy of progress reporting	76	2013	X			
Total			**11**	**6**		

Annex III

United Nations benefits realization plan and key performance indicators

Benefit	*Key performance indicators*	*Timeline for realization*	*Quantification of benefits*
A. Alignment with best practices			
1. Compliance with independently developed, high-quality public sector accounting standards	1. A clean annual audit opinion 2. Application of as few transitional provisions as possible 3. Number of new or updated accounting policies implemented for the United Nations based on decisions of the IPSAS Board 4. Fewer audit corrections	Annually, starting with financial statements for 2014	Not quantifiable yet
B. Improved stewardship of assets and liabilities			
1. More focused resource utilization	Increased number of strategic resource management decisions taken by the Management Committee	Semi-annually, starting in late 2014 for peacekeeping operations, and in mid-2015 for non-peacekeeping	Subject to ability to quantify decisions taken by the MC
2. Improved visibility for capital expenditure requirements	Number of instances in which the justification of capital expenditure requirements under section 33, Capital expenditures, the support account for peacekeeping operations and individual mission budgets is based on and/or includes accrual-based information	FY 2015/16 for peacekeeping operations, and 2018-2019 for non-peacekeeping	Not quantifiable
3. Reduced amount of long-outstanding contributions	1. Increased number of follow-up actions with donors regarding extra-budgetary contributions 2. Increased number of follow-up actions regarding assessed contributions based on ageing data of receivables	Third quarter of 2014 for peacekeeping operations, and early 2015 for non-peacekeeping	Reduction in long-outstanding contributions compared to the previous period

Benefit	*Key performance indicators*	*Timeline for realization*	*Quantification of benefits*
4. Closing the funding gap for employee liabilities, in particular for After-Service Health Insurance (ASHI) related to extra-budgetary resources	Reduced amount of unfunded ASHI liability for extra-budgetary resources compared to previous period	Annually, starting with 2014	Amount of annual reduction in unfunded liability
5. Improved property and inventory management at all levels	1. 100 per cent complete and accurate asset register (tangible and intangible assets) 2. Recognition of all donated right-to-use assets 3. Semi-annual match of physical inventory records with ERP records (IMIS/Galileo until full deployment of Umoja) 4. Percentage reduction in asset/inventory requirements compared to the previous period	Performance of semi-annual checks of asset and inventory records, to be performed throughout 2014 and thereafter; Preparation of peacekeeping budgets for fiscal year 2015/16 in the third quarter of 2014, and of the proposed programme (regular) budget for 2016-2017 in late 2014/early 2015 regarding adjustments to asset/inventory levels	Percentage reduction in asset/inventory requirements committed by the Assistant Secretary-General of the Office of Central Support Services, the Under-Secretary-General of the Department of Field Services, the Assistant Secretary-General of the Office of Information and Communications Technology and heads of administration, directors and chiefs of mission support
6. Better revenue management related to extra-budgetary contributions	1. Number of programme/project managers trained in IPSAS revenue recognition aspects 2. Changes in revenue amounts and contingent assets related to extrabudgetary contributions 3. Reduced level of write-offs for doubtful accounts	Quarterly, starting with the first quarter of 2015	Reduction in write-offs for doubtful accounts compared to the previous financial period

Benefit	*Key performance indicators*	*Timeline for realization*	*Quantification of benefits*
7. Better management of provisions	1. 100 per cent complete and accurate (amount and number of) provisions 2. Reduction in the number and total amount of provisions and contingent liabilities compared to the previous period	Third quarter of 2014 for peacekeeping operations, and early 2015 for non-peacekeeping, with measurement starting in the following period	Amount of provisions actually reduced compared to the previous period
C. Availability of more comprehensive information on costs			
1. Improved financial decision-making	1. Number of recommendations and observations by the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee related to the management of cost categories 2. Number of Management Committee decisions regarding mandate/service delivery based on cost information 3. Lower level of variances between budgeted and expensed amounts and performance experience (lower amounts requested in the context of performance reports, higher ratio of disbursements compared to budgets)	Management Committee reporting in third quarter of 2014 for peacekeeping, for non-peacekeeping in mid-2015; Monitoring of recommendations of the Fifth Committee and Advisory Committee on Administrative and Budgetary Questions, starting in the third quarter of 2014	To be quantified at a later stage, subject to decisions of the General Assembly and the Management Committee and to analysis of variances during budget implementation for peacekeeping and the regular budget
2. Improved financial management	1. Implementation of cost management strategies defined by the Controller 2. Number of identified measures for more efficient service delivery 3. Number of financial management best practices implemented by heads of Administration, directors and chiefs of mission support	Assessment of possible cost management strategies in the third quarter of 2014 for peacekeeping and first quarter of 2015 for non-peacekeeping;	To be quantified at a later stage once impact of decisions on cost management and service delivery have been assessed

Benefit	*Key performance indicators*	*Timeline for realization*	*Quantification of benefits*
3. Improved cost recovery	Variance in recovered amounts/income	2015/16 for peacekeeping and 2016/17 for non-peacekeeping	Variance in income from service provision compared to the previous period
D. Improved consistency and comparability			
1. Increased number of United Nations system-wide financial initiatives	Number of best financial management practices adopted by the United Nations system emanating from the adoption of IPSAS	Annually, starting in 2016	To be assessed when United Nations system-wide decisions are taken
2. Improved longer-term financial risk management	Number of identified financial risks with defined mitigation measures	Late 2015 for peacekeeping, and mid-2016 for non-peacekeeping	To be quantified when defining mitigation measures
E. Increased transparency and accountability			
1. More comprehensive and more frequent availability and use of financial information	1. Number of meetings held by the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions to consider financial statements and Board of Auditors' reports	Late 2014 for peacekeeping and early 2015 for non-peacekeeping	Qualitative focus first, with quantification to be decided at a later stage
	2. Number of senior managers trained in the interpretation of financial information contained in financial statements		
	3. Number of instances reported in which financial information is used and integrated into the management of programmes and day-to-day operations		
2. Better assignment and enforcement of accountability for financial performance	Number of instances in which managerial accountability for financial performance is established by the Management Committee, Management Performance Board, the Controller and heads of administration, directors and chiefs of mission support	Annually starting in 2015	Qualitative benefit